



State of California

Employment Training Panel

Arnold Schwarzenegger, Governor

April 7, 2009

Maria Wayne, Director of Leadership Development
Seagate Technology LLC
920 Disc Drive
Scotts Valley, CA 95066
Maria.wayne@seagate.com

Transmitted electronically.

Dear Ms. Wayne:

RE: FINAL REPORT for Seagate – ET07-0285

Date of Final Remote Review of Documentation:	1) 12/1/09 at 1:30 p.m. for the manufacturing LMS review; and 2) 12/4/09 at 9:30 a.m. for corporate LMS review.
Participants:	1) Alejandro A Sanchez LMS Administrator (Seagate Manufacturing) via WebEx 2) Lisa Kastl, LMS Administrator (Oklahoma City via WebEx) from Seagate; Phil Herrera, administrative subcontractor; and Diane Woodside, ETP Analyst for both sessions.
Action Required:	No

CONTRACT INFORMATION:

Term of Agreement:	2/6/07 – 2/5/09	Agreement Amount:	\$1,512,000
Training Start Date:	2/06/07	No. to Retain:	1,400
Date Training must be Completed:	11/05/08	Range of Hours Per Trainee:	24 - 200
Type of Trainee:	Retrainee	Weighted Ave. Hours Per Trainee:	60
Fixed-Fee Rates (per training hour per employee)	AT Class/lab-\$26 Regular Class/lab-\$18 CBT-\$8		

Background: This project was approved by the Panel in January 2007. Seagate Technology LLC (Seagate) is a manufacturer of hard computer disc drives used for a wide-range of applications, including enterprise, desktop, mobile computing, and consumer electronics. Seagate sells disc drives primarily to major OEMs and distributors who incorporate those products into computer and storage systems for resale. At the time of the proposal, Seagate's two biggest customers were Hewlett-Packard and Dell and the company employed 2,149 Californians at its headquarters in Scotts Valley and manufacturing sites in Fremont, Milpitas, and Sunnyvale.

SACRAMENTO CENTRAL OFFICE
1100 J Street, 4th Floor
SACRAMENTO, CA 95814
(916) 327-5640

N. HOLLYWOOD REGIONAL OFFICE
4640 Lankershim Blvd., Suite 311
NORTH HOLLYWOOD, CA 91602
(818) 755-1313

S.F. BAY AREA REGIONAL OFFICE
1065 East Hillsdale Blvd, Suite 415
FOSTER CITY, CA 94404
(650) 655-6930

SAN DIEGO REGIONAL OFFICE
5353 Mission Center Road, Suite 110
SAN DIEGO, CA 92108
(619) 686-1920

Seagate planned to provide classroom/lab and CBT training to 1,400 of its California employees in advanced technology, continuous improvement, business, management, and computer skills. All ETP-funded training was to support new business initiatives, product development, and the use of recently developed technologies.

HISTORY OF AGREEMENT AND CHANGES

Training began on 2/6/07 and all training occurred during the Agreement term and prior to 11/5/08 to allow the 90-day employment retention period to occur during the Agreement term. There was one modification made to the Agreement: to add Manufacturing Skills class/lab and CBT courses to the curriculum and increase the maximum allowable CBT hours per trainee.

PROJECT STATISTICS:

Total Trainees Enrolled:	2313	Completed Training and Retention:	615
Dropped Following Enrollment:	1698		

According to the fiscal close-out invoice submitted by Seagate and approved by ETP's Fiscal Unit, the company earned a total reimbursement of \$1,334,581 (88 percent of the Agreement amount of \$1,512,000). The dropped enrollees were typically persons who did not reach the 24-hour minimum class/lab requirement (1,243) or did not meet the 90-day retention period (455). In October of 2008, Seagate closed its manufacturing facility in Milpitas which increased the number of completers not meeting the 90-day requirement. You provided the following information to Ms. Woodside, the ETP analyst, as requested:

What were the specific business reasons for the closure of the Milpitas facility?

Per SEC filing Form 8-K, the Milpitas closure "is part of the Company's ongoing focus on cost-efficiencies in all areas of its business." My opinion is that the closure is in response to the global recession that has been in effect since December 2007.

What was the official last day of work at the facility? Where employees on payroll through the last day?

The last day of work at the facility was October 3, 2008. Employees were on payroll through this date.

Did the affected employees receive any type of severance package and outplacement services? If so, could you briefly describe them?

Seagate will spend approximately \$21 million to give severance to the 570 effected employees.

Will Seagate open an identical operation outside of California within the next three years?

Seagate understands that if an operation similar to the Milpitas facility is opened outside of California with the next three years that ETP may ask for the earned ETP funding to be returned. As mentioned early, I am not privy to Seagate capital investment plan and cannot speak on behalf of the company but my guess is that all high tech firms will continue to scale back operations until a recovery is upon us.

Has your administrative agent been provided with the "last employment date on payroll" for all termed workers?

Yes. The last date on Payroll is October 3, 2008. This is the date provided by our HR department and to our administrative agent.

Approximately what percentage of the forecasted "earned" ETP funds is attributable to the Milpitas facility?

According to our administrative agent it is at approximately 33%.

ETP Final Report Questions

FEEDBACK RECEIVED FROM YOU, THE COMPANY REPRESENTATIVE:

What barriers, if any, did your company experience in implementing your ETP project?

There were no significant barriers to implementing ETP contract reporting or administrative controls. However, Human Resource representatives expressed concerns about divulging employee demographic information and social security numbers to ETP.

What problems, if any, did your company experience with ETP record keeping?

There were no significant problems with ETP record-keeping. Using electronic training records stored in our LMSs as opposed to manual records made administration of the ETP contract easier than in past ETP contracts. Seagate had two LMS databases which created extra work for the ETP monitor.

What assistance could ETP have provided that would improve the process for future Contractors?

Staff assistance from the local ETP office was very good. The ETP agency should continue to "update" regulations to reflect current conditions in local economies and strive to simplify program eligibility and record keeping rules. Reducing the "graduation" threshold from 24 to 16 hours would reflect the increasing utilization of on-line training which takes fewer hours than instructor-led training. Increasing funding rates would be very helpful.

How did your company benefit from the ETP training?

With ETP assistance Seagate employees attended a spectrum of skills courses that include advanced technology, continuous improvement, business, management, and computer skills that achieve the following: introduced improved design and manufacturing procedures; streamlined Seagate operations by focusing on strategic competencies and enhancing Seagate supply chain management; increased automation and uniformity of Seagate manufacturing processes through Seagate's "Factory of the Future" initiative; and implemented the Six Sigma quality management philosophy and related leadership development courses company-wide.

Seagate would like to extend our appreciation to the State of California and the ETP for extraordinary support during this critical period in our industry and for our company. My opinion is that high tech firms located in Silicon Valley will continue to remain competitive in the global marketplace for their respective industries but will have some hard choices ahead. The global recession, which according to Federal government officially began in the winter of 2007, has

required many highly regarded high tech companies to scale back global production operations and cut head count – some at astonishing levels. My hope is that under the new U.S. leadership a global recovery is on the way by the end of 2009, and with assistance from agencies like the ETP, our local economy will recover even sooner.

ELECTRONIC RECORD KEEPING:

Your ETP analyst reviewed a sample of completers' training records through viewing Seagate's two LMS systems using Webex. One database contain records for corporate employees and Lisa Kastl, the LMS administrator for that system, was available through WebEx to take the analyst into that system to verify data entered into the Panel's online tracking system. Mr. Sanchez, who is the person authorized to enter data into the RMO (Recording Media Systems) LMS, which covers the manufacturing employees in Milpitas and Fremont, was available at a second session via Webex to allow the ETP analyst to verify training data for manufacturing employees. The RMO system is backed up by hard copy rosters which are stored along with the LMS data for six years after a training event is delivered. As noted in previous reports, only the training end date is stored in the LMS which is typical for an LMS. Based on the two reviews, your administrative subcontractor completed the following corrective actions related to ETP record-keeping/funding:

Action Item 1: Delete all courses and training from ETP's on-line tracking system for the following:

CSOPEH1100: Contractor Safety Training
Frmt: Transportation of Sick or Injured Employees
Reporting Emergencies
Safety Notes in FMISP016 and Others
Cleanroom Training for Contractors
Corrective action to EH&S suggestions #620
Motorized Lift Truck Training (Forklift)

Action Item 2: Change the training type for the following courses from Advanced Technology to Manufacturing or Continuous Improvement Skills:

5S Auditor Training
5s Training (Sort Stabilize Shine Standardize & Sort)
Safety Procedure on Lid/De-Lid Cassettes

Action Item 3: Seagate manufacturing company representative, Alejandro Sanchez, contacted your ETP analyst via email and described how the Advanced Technology training entered into the on-line system meets the original Seagate proposal/curriculum and the definition for Advanced Technology depicted in ETP regulations. The approved AT course legend was submitted and is retained in the ETP Master File.

Action Item 4: Fix the trainee - Bill Wang's Training dates for "Design for Reliability" from Oct 9, 10, and 11 to May 12, 13, 14 2008. Ensure that all on-line data entries match LMS records.

Action Item 5: Remove all training for employees listed as both a trainee and a trainer for a course depicted in the corporate LMS.

Action Item 6: Remove training for class/lab sessions that exceed ETP maximum trainer to trainee ratios. Specifically 24 to 1 for class/lab and 12 to 1 for AT and ensure that the average of all class/lab sessions are less than 20 to 1 for regular class/lab and 10 to 1 for Advanced Technology.

Action Item 8: Delete employees with the designation "Director" in their title.

Based on your ETP analyst's review of the system and the corrective actions completed as outlined above, it appears that both of Seagate's LMSs meet the Panel's electronic record-keeping requirements and have recorded the required data elements. Please note that the finding that the ETP documentation is in order is based only on the electronic records reviewed during this and prior monitoring visits and represents only a limited sample of the training records completed to date. It is the company's responsibility to ensure that all training records are in compliance with ETP documentation requirements.

SUBAGREEMENTS:

The administrative subcontractor, Herrera & Company, and four training vendors were entered into the Panel's on-line system at this time. Training was primarily conducted by in-house trainers.

AUDIT:

At this time, there are no other actions to be taken by Seagate. However, please be aware that the Agreement remains subject to an audit. You will be notified in writing if this agreement is selected for an audit that will be conducted either at your site (field audit) or by telephone if selected for a desk audit (or "review"). These notifications will be sent in advance to allow ample preparation time and will include a list of documentation that will be examined by the auditor. A list of the documentation typically examined during an audit will be included along with the Audit Notification and Audit Confirmation letters. To provide support of training, original training attendance documentation is required; photocopied records are not acceptable. Listed below are types of records typically requested during an ETP field audit:

- Print-outs from the LMS and/or training attendance records such as rosters, sign-in sheets, etc.
- Payroll records of individual trainees to verify wage and hours worked
- Personnel records regarding occupation and dates of employment
- Cash receipts to verify receipt and accounting of ETP funds

RECORD RETENTION:

Records must be retained within your control and be available for review at your place of business within the State of California. This responsibility will terminate no sooner than four (4) years from the date of the termination of the Agreement or three (3) years from the date of the last payment by ETP to the Contractor, or the date of resolution of appeals, audits, claims, exceptions, or litigation, whichever is later.

If you have any questions or comments regarding the information in this letter, please contact Diane Woodside, at 650-655-6935 or at dwoodside@etp.ca.gov, within ten (10) working days from the receipt date of this report.

Sincerely,

A handwritten signature in black ink that reads "Creighton Chan". The signature is fluid and cursive, with the first name "Creighton" being larger and more prominent than the last name "Chan".

Creighton Chan, Manager
San Francisco Bay Area Regional Office

A handwritten signature in black ink that reads "Diane Woodside". The signature is cursive and somewhat stylized, with the first name "Diane" being larger than the last name "Woodside".

Diane Woodside, Account Analyst
San Francisco Bay Area Regional Office

cc: Philip Herrera, administrative subcontractor
Brian McMahon, Executive Director
David Guzman, Operations Chief
Kulbir Mayall, ETP Fiscal Manager
Steve Runkle, ETP Audit Manager
Master File
Project File

Date report mailed to Contractor 4/13/09